



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
ANDERSON COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ANDERSON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Anderson County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances decreased by \$101,723 from the prior fiscal year. The accompanying statement of cash receipts, cash disbursements, and changes in cash balances reflect a cash balance of \$866,622.

Debt Obligations:

Total capital lease principal agreement totaled \$1,359,000 as of June 30, 2000. Future principal and interest payments of \$2,176,190 are needed to meet these obligations.

Anderson County Park Land Acquisition Company, Inc.'s principal agreements totaled \$295,000 as of June 30, 2000.

Report Comments:

- The County Should Properly Account For Park Land Acquisition Company, Inc.'s Acquisition And Construction Of A New Public Park
- The County Should Properly Account For All Receipts And Disbursements Of The Loan And Lease-Purchase Agreement With KACO and AOC
- The County Should Have A Written Agreement To Protect Deposits

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds. However, there was no evidence of a written security agreement between the depository institution and the County.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Anthony D. Stratton, Anderson County Judge/Executive

Members of the Anderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Anderson County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Anderson County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Anderson County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000 of Anderson County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Anthony D. Stratton, Anderson County Judge/Executive
Members of the Anderson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2000 on our consideration of Anderson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Should Properly Account For Park Land Acquisition Company, Inc.'s Acquisition And Construction Of A New Public Park
- The County Should Properly Account For All Receipts And Disbursements Of The Loan And Lease-Purchase Agreement With KACO and AOC
- The County Should Have A Written Agreement To Protect Deposits

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 22, 2000

ANDERSON COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Anthony D. Stratton	County Judge/Executive
Randy Peyton	Magistrate
Hubert Shields	Magistrate
Bobby Peach	Magistrate
Alton Warford	Magistrate
Larry Smith	Magistrate
Betty Barnett	Magistrate

Other Elected Officials:

Betty A. Springate	County Attorney
Lyjona Clark	Jailer
Harold Ritchey	County Clerk
Jan Rogers	Circuit Court Clerk
Jim Evans	Sheriff
John Allen Perry	Property Valuation Administrator
Brian Ritchey	Coroner

Appointed Personnel:

W. Dudley Shryock	County Treasurer
Donna Eckman	Business License Fee Administrator
Sue Sparrow/Heather Hardin	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

ANDERSON COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:			
Cash	\$	376,568	
Road and Bridge Fund:			
Cash		177,558	
Jail Fund:			
Cash		41,708	
Local Government Economic Assistance Fund:			
Cash		55,547	
Escrow Fund:			
Cash		45,125	
Payroll Revolving Account - Cash		<u>142,996</u>	\$ 839,502

Capital Projects Fund Type

Capital Outlay Fund:			
Cash	\$	160,816	
Park Land Acquisition Company Fund:			
Cash		<u>9,300</u>	170,116

Other Resources

General Fund Type

General Fund:			
Amounts to be Provided in Future Years for			
Capital Lease Principal Payments		<u>1,359,000</u>	
Total Assets and Other Resources			<u><u>\$ 2,368,618</u></u>

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Types

General Fund:

Capital Lease Principal Obligation (Note 5)	\$ 1,359,000	
Revolving Payroll Account - Cash	<u>142,996</u>	\$ 1,501,996

Capital Projects Fund Types

Park Land Acquisition Company Fund:

Note Payable (Note 4)		295,000
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Fund Balances

Reserved:

Capital Projects Fund Type

Park Land Acquisition Company Fund	\$ (285,700)	
Escrow Fund	<u>45,125</u>	(240,575)

Unreserved:

General Fund Type

General Fund	\$ 376,568	
Road and Bridge Fund	177,558	
Jail Fund	41,708	
Local Government Economic Assistance Fund	<u>55,547</u>	651,381

Capital Projects Fund

Capital Outlay Fund		<u>160,816</u>
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Total Liabilities and Fund Balances		<u><u>\$ 2,368,618</u></u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

ANDERSON COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	<u>General Fund Types</u>			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,801,816	\$ 2,096,406	\$ 863,394	\$ 81,284
Transfers In	530,693		60,688	359,005
Total Cash Receipts	<u>\$ 4,332,509</u>	<u>\$ 2,096,406</u>	<u>\$ 924,082</u>	<u>\$ 440,289</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,729,547	\$ 2,221,479	\$ 808,093	\$ 404,089
Schedule of Unbudgeted Expenditures	173,992			
Transfers Out	530,693	54,043		
Total Cash Disbursements	<u>\$ 4,434,232</u>	<u>\$ 2,275,522</u>	<u>\$ 808,093</u>	<u>\$ 404,089</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (101,723)	\$ (179,116)	\$ 115,989	\$ 36,200
Cash Balance - July 1, 1999	968,345	555,684	61,569	5,508
Cash Balance - June 30, 2000	<u>\$ 866,622</u>	<u>\$ 376,568</u>	<u>\$ 177,558</u>	<u>\$ 41,708</u>

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2000
(Continued)

General Fund Types		Capital Projects Fund Types			Debt Service Fund Types
Local Government Economic Assistance Fund	Escrow Fund	Capital Outlay Fund	Park Land Acquisition Company Fund	CDBG Fund	Construction Fund
\$ 68,524	\$ 28,478 111,000	\$ 558,130	\$ 9,468	\$ 15,000	\$ 81,132
\$ 68,524	\$ 139,478	\$ 558,130	\$ 9,468	\$ 15,000	\$ 81,132
\$ 81,771	\$ 125,115	\$ 74,000	\$ 92,860	\$ 15,000	\$ 81,132
		476,650			
\$ 81,771	\$ 125,115	\$ 550,650	\$ 92,860	\$ 15,000	\$ 81,132
\$ (13,247) 68,794	\$ 14,363 30,762	\$ 7,480 153,336	\$ (83,392) 92,692	\$	\$
\$ 55,547	\$ 45,125	\$ 160,816	\$ 9,300	\$ 0	\$ 0

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Anderson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Anderson County Park Land Acquisition Company, Inc. as part of the reporting entity.

Additional - Anderson County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Anderson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Anderson County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Anderson County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), and Escrow Fund.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Construction Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

3) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Capital Outlay, Community Development Block Grant, and the Park Land Acquisition Funds of the Fiscal Court are reported as a Capital Projects Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Anderson County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Park Land Acquisition Company, Inc. (Capital Projects Fund) and the Construction Funds (Debt Service Fund) because relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government did not require these funds to be budgeted.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Anderson County Fiscal Court: Senior Citizens, Fire Departments, Water Districts, Conservation District, and Library District.

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following are considered joint ventures: Planning and Zoning Commission.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

ANDERSON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution has pledged or provided sufficient collateral, and the depository institution's board of directors or loan committee approved the pledge or provision. However, the depository institution did not have a written agreement with the county securing the county's interest in the collateral.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county official at year-end.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 1,011,615
Total	<u>\$ 1,011,615</u>

Note 4. Notes Payable

On January 21, 1997, the Anderson County Park Land Acquisition Company, Inc. (Company), a non-profit corporation organized under Section 501(c)(3) of the Internal Revenue Code, was formed by the Anderson County Fiscal Court (County). The express purpose of the Company was to purchase land to lease to the County for the creation of a public recreation park. On June 30, 2000, the Company had three outstanding loans with three local banks for a total of \$295,000. The maturity date for the loans was June 8, 2000. The County renewed the loans on July 11, 2000. In addition to the proceeds from the aforementioned loans, the Company accepted donations to be used in the process of establishing a public park and retiring any debt incurred. The following schedule indicates the balance of the outstanding loans:

ANDERSON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 4. Notes Payable (Continued)

Liabilities of the Capital Projects Fund are:

Description	Purchase Date	Maturity Date	Interest Rate	Amount
First Financial Savings				
Bank of Harrodsburg	July 11, 2000	July 11, 2001	6.5%	\$ 98,334
The Lawrenceburg				
National Bank	July 11, 2000	July 11, 2001	6.5%	98,333
Progressive Bank	July 11, 2000	July 11, 2001	6.5%	98,333

Note 5. Capital Lease Agreement

Courthouse Annex

Anderson County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) for the construction of a courthouse annex. The agreement requires monthly interest payments and annual principal payments, which vary in amount for the life of the lease agreement. The effective interest rate is 5.03 percent, and the agreement will be paid in full as of January 20, 2017. The following schedule indicates principal and interest payments according to the original lease agreement.

Due Date	Scheduled Interest	Scheduled Principal
2000-01	\$ 80,690	\$ 48,000
2001-02	77,747	50,000
2002-03	74,659	53,000
2003-04	71,390	56,000
2004-05	67,965	58,000
2005-17	444,739	1,094,000
Totals	<u>\$ 817,190</u>	<u>\$ 1,359,000</u>

Note 6. Insurance

For the fiscal year ended June 30, 2000, Anderson County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

ANDERSON COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 2,785,785	\$ 2,096,406	\$ (689,379)
Road and Bridge Fund	1,099,878	863,394	(236,484)
Jail Fund	437,471	81,284	(356,187)
Local Government Economic Assistance Fund	82,000	68,524	(13,476)
Escrow Fund	221,472	28,478	(192,994)
<u>Capital Projects Fund Type</u>			
Capital Outlay Fund	75,000	558,130	483,130
CDBG Fund	961,947	15,000	(946,947)
Totals	<u>\$ 5,663,553</u>	<u>\$ 3,711,216</u>	<u>\$ (1,952,337)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 5,663,553
Add: Budgeted Prior Year Surplus			164,043
Total Operating Budget Per Comparative Schedule			<u>5,827,596</u>
Of Final Budget and Budgeted Expenditures			<u>\$ 5,827,596</u>

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SCHEDULE OF OPERATING REVENUE

ANDERSON COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>GOVERNMENTAL FUND TYPES</u>				
	Totals (Memorandum Only)	General Fund Type	Capital Projects Fund Type	Debt Service Fund Type
REVENUE:				
Taxes	\$ 1,711,520	\$ 1,181,420	\$ 530,100	\$
Excess Fees	183,265	183,265		
License and Permits	98,034	75,945	22,089	
Intergovernmental Revenues	1,154,591	1,139,591	15,000	
Charges for Services	498,332	498,332		
Miscellaneous Revenues	56,432	47,576	8,856	
Interest Earned	99,642	11,957	6,553	81,132
Total Operating Revenue	<u>\$ 3,801,816</u>	<u>\$ 3,138,086</u>	<u>\$ 582,598</u>	<u>\$ 81,132</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

ANDERSON COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 638,376	\$ 588,626	\$ 49,750
Protection to Persons and Property	1,414,617	1,349,839	64,778
General Health and Sanitation	168,270	151,333	16,937
Social Services	24,500	22,149	2,351
Recreation and Culture	241,800	138,214	103,586
Roads	1,177,650	885,865	291,785
Debt Service	574,750		574,750
Administration	550,686	504,521	46,165
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 4,790,649</u>	<u>\$ 3,640,547</u>	<u>\$ 1,150,102</u>

Expenditure Categories	CAPITAL PROJECTS FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,000	\$	\$ 1,000
Recreation and Culture	74,000	74,000	
Capital Projects	961,947	15,000	946,947
TOTAL BUDGET - CAPITAL PROJECTS FUND TYPE	<u>\$ 1,036,947</u>	<u>\$ 89,000</u>	<u>\$ 947,947</u>

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SCHEDULE OF UNBUDGETED EXPENDITURES

ANDERSON COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

<u>Expenditure Items</u>	<u>Park Land Acquisition Fund</u>	<u>Construction Fund</u>
Recreation and Culture	\$ 92,860	\$
Debt Service		81,132
Totals	<u>\$ 92,860</u>	<u>\$ 81,132</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Anthony D. Stratton, Anderson County Judge/Executive

Members of the Anderson County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Anderson County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated November 22, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Anderson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The County Should Properly Account For Park Land Acquisition Company, Inc.'s Acquisition And Construction Of A New Public Park
- The County Should Properly Account For All Receipts And Disbursements Of The Loan And Lease-Purchase Agreement With KACO and AOC
- The County Should Have A Written Agreement To Protect Deposits

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anderson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material a weakness.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 22, 2000

COMMENTS AND RECOMMENDATIONS

ANDERSON COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2000

REPORTABLE CONDITIONS

The County Should Properly Account For Park Land Acquisition Company Inc.'s Acquisition And Construction Of A New Public Park

The county did not include the financial activities of the Anderson County Park Land Acquisition Company, Inc. on its financial statements. We consider this company to be a component unit of Anderson County and have included the financial transactions in our audit. KRS 58.180 requires the county exercise organizational control or supervisory control over non-profit corporations. We further recommend that Anderson County properly account for, and report in its financial statements, the future transactions of the Anderson County Park Land Acquisition Company, Inc.

County Judge/Executive's Response:

Anderson County Fiscal Court decided to establish a facilities acquisition corporation organized as a 501 (c)(3) charitable organization to purchase park land in order to accept tax deductible contributions from the public. Another advantage to organizing as a separate nonprofit corporation included the ability to borrow long-term money that did not have to be repaid by the end of the fiscal year. The Department for Local Government advised the Fiscal Court that the Anderson County Park Land Acquisition Company, Inc. was not considered a component unit of the Anderson County Fiscal Court, therefore exempt from budgetary and reporting requirements as such.

Now, the Auditor of Public Accounts comes along with a different point of view on the issue. We are caught up in the bureaucracy.

In order to pass the State Auditor's judgement, we agree to include the Anderson County Park Land Acquisition Company, Inc. in the budgetary and financial statements issued by the Anderson County Fiscal Court for future periods, although this violates the advice given by the Department for Local Government.

The County Should Properly Account For All Receipts And Disbursements Of The Loan And Lease-Purchase Agreement With KACO And AOC

The county has been involved in a loan and lease-purchase agreement with KACO and AOC to build a new courthouse annex at the rear of the courthouse. The construction project was completed as of June 30, 1999, and AOC rent is being deposited into a sinking fund at Bank One. The activity of the account was not included in the county's financial statements. We recommend that the county properly account for all future transactions concerning the Courthouse Annex Construction and related lease-purchase on the county's financial statements.

ANDERSON COUNTY
COMMENTS AND RECOMMENDATIONS
June 30, 2000
(Continued)

REPORTABLE CONDITIONS

The County Should Properly Account For All Receipts And Disbursements Of The Loan And Lease-Purchase Agreement With KACO And AOC (Continued)

County Judge/Executive's Response:

AOC deposits money into a sinking fund at Bank One for the purpose of retiring debt incurred to build a new courthouse annex. These funds are paid directly to KACO Leasing Trust without the Anderson County Fiscal Court ever touching the funds. Since the members of Fiscal Court do not vote to disburse the funds, we treated the sinking fund as exempt from budgetary and reporting requirements.

In order to pass the State Auditor's judgment, we agree to include the receipt and subsequent disbursement of sinking fund monies in the budgetary and financial statements issued by the Anderson County Fiscal Court.

NONCOMPLIANCES

The County Should Have A Written Agreement To Protect Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. As of November 22, 2000, the county had bank deposits of \$1,011,615; FDIC insurance of \$300,000; and collateral pledged or provided of \$975,688. Even though the county obtained sufficient collateral of \$975,688, there was no written agreement between the county and the depository institution, signed by both parties, securing the county's interest in the collateral. We recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Judge/Executive's Response:

Anderson County Fiscal Court did maintain deposits of public funds with depository institutions insured by the FDIC. The deposits were also covered by pledges of sufficient collateral to cover amounts in excess of FDIC limits. We were of the opinion that we had a written agreement between the county and the depository institution, securing the county's interest in the collateral pledged by the depository institution, however neither the bank nor the county could produce a copy of the document.

It is the intention of the Anderson County Fiscal Court to legally and properly secure deposits of public funds. Therefore we will immediately seek a written agreement from all financial institutions to secure the county's interest in the collateral pledged above FDIC limits.

ANDERSON COUNTY
COMMENTS AND RECOMMENDATIONS
June 30, 2000
(Continued)

PRIOR YEAR FINDINGS

The County Should Have Required The Depository Institution To Pledge Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits.

The County had sufficient collateralization during the current year. However, the County did not have a written agreement to protect deposits.

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CERTIFICATION OF COMPLIANCE –
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

ANDERSON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

Appendix A

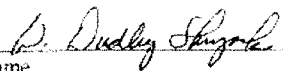
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC PROGRAM
ANDERSON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Anderson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer